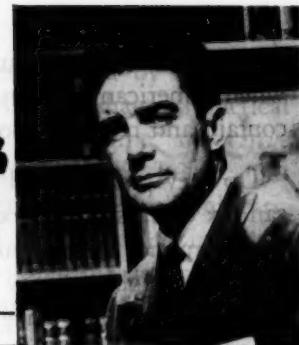


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# Dan Smoot Report



DAN SMOOT

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## The Goose And The Golden Eggs

**D**On July 13 and 20, 1959, this *Report* presented statistics and conclusions from a Library of Congress study entitled *U. S. Foreign Aid: Its Purposes, Scope, Administration, and Related Information*. The study was made by research experts in the Legislative Reference Service of the Library of Congress and was published June 11, 1959, by the Government Printing Office.

**D**The study reveals many extraordinary things. One is that during the postwar period (July 1, 1945 to June 30, 1958) we gave direct economic aid to 7 communist nations, totaling well over 2 billion dollars. The reason for American foreign aid in this period was that it would help the world resist communism.

**D**How can you account for the fact that our government takes money away from Americans, to fight communism, but gives a substantial portion of their money to communist nations?

**F**oreign aid lobbyists have several answers. For example: one communist nation receiving lavish quantities of American foreign aid in the postwar period is Yugoslavia: foreign aid experts say that giving aid to Yugoslavia widens the breach between this communist nation and the Soviet Union, makes Yugoslavia independent of the Soviets, and, thus, weakens the over-all power of the Soviet empire. Foreign aid experts say approximately the same about our aid to the Soviet satellites: Czechoslovakia, East Germany, Hungary, Poland. Our aid to these communist nations is supposed to cultivate in them a spirit of independence from the Soviets.

These arguments are palpably preposterous. Aid which we give to communist countries (including Yugoslavia) does not strengthen them *against* the Soviet Union: it strengthens them *for* the Soviet Union. All available facts support this assertion. No available facts indicate that our aid to communist satellites even tends to weaken the Soviet Union.

**B**ut let this pass for the moment: let's assume that all our foreign aid lobbyists (the chief of whom is, of course, President Eisenhower) sincerely, if mistakenly, believe that our aid to communist satellites does hurt the Soviets. How do they account for the aid which they have given the

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Soviet Union itself, during the postwar period when American foreign aid is supposed to help contain and resist the Soviets?

Do they plan to feed the Soviet Union American tax dollars until its dies of surfeit, or do they wish America to commit suicide? What do the foreign aid lobbyists say about our postwar aid to the Soviet Union? They say very little, but perhaps we can find an answer for them.

## EXPLAINING THE UNEXPLAINABLE

The June 11, 1959 Library of Congress study on foreign aid is a 117-page book, presenting tables of statistics, stretching over many pages of fine print.

Table V is headed: "Foreign grants (i.e., outright gifts) . . . Postwar period, July 1, 1945-June 30, 1958; fiscal years 1957, 1958." The amount shown for the Soviet Union in this table is \$465,434,000.00 in the "Postwar period" column; nothing in the "Fiscal year 1957" column and nothing in the "Fiscal year 1958" column.

Table VII is headed: "Foreign credits utilized (i.e., 'loans') . . . Postwar period, July 1, 1945-June 30, 1958; fiscal year 1957; fiscal year 1958." The amount shown for the Soviet Union in this table is \$222,495,000.00 in the "Postwar period" column; nothing in the "Fiscal year 1957" column and nothing in the "Fiscal year 1958" column.

Add these sums together: the total of "foreign grants" to the Soviet Union and of "Foreign credits utilized by" the Soviet Union in the postwar period is \$687,929,000.00.

Table VI of the Library of Congress study is headed: "Reverse grants and returns on grants, by country — Postwar period July 1, 1945-June 30, 1958; fiscal year 1957; fiscal year 1958." The amount shown for the Soviet Union in this table is \$39,204,000.00 in the "Postwar period" column; nothing in the "Fiscal year 1957" column and nothing in the "Fiscal year 1958" column.

Thus, it appears that sometime during the postwar period before fiscal year 1957 — that is in the period July 1, 1945 to June 30, 1956 — the Soviets returned to us \$39,204,000.00 of the total aid which we had granted them. This makes the *net* economic aid which we gave the Soviet Union in the postwar period total \$648,725,000.00.

When, in the postwar period, did we give this huge sum to our enemies the Soviets? That is an important question, because at the beginning of the postwar period the Soviets were not officially recognized as as our enemies. As of July 1, 1945 (when the postwar period officially began) we had given the Soviet Union, as our ally, *wartime* aid totaling \$10,776,180,000.00.

Presumably then, the \$648,725,000.00 of aid which we gave the Soviets in the postwar period went to them immediately after the war, as a carry-over from our massive wartime aid to them. Presumably, this was aid already in the wartime "pipelines" which we did not abruptly cut off on July 1, 1945, but let it go to help rehabilitate our war shattered ally.

Here, then, is the answer which foreign aid lobbyists can give to the difficult question: "Why, in the postwar period when our aid is supposed to weaken the Soviet Union, have we given more than 648 million dollars to the Soviets themselves? We haven't actually given the Soviets any postwar aid. The 648 million, 725 thousand dollars which they received in the postwar period merely represents the carry-over, the winding up, of our aid to them during the war when they were our ally."

For want of proof to the contrary, let us admit that this "answer" is adequate and accurate. What does it prove? It proves something very significant: namely, that the American people have lost control over their own government. After the government has already confiscated and squandered great sums of the taxpayers' money, it confuses

the public with tiresome and complicated "justifications" for what it has already done — always diverting attention from what government is doing now, and always avoiding the real question: What effect are these governmental activities having on the country?

Statistical analyses, with figures so large that they are beyond human comprehension, are susceptible of honest error and dishonest juggling. They seldom prove anything conclusively, and they make tiresome reading for most people. This unavoidable condition has led many to shrugging indifference about the affairs of government: the "average" man does not have the facts or training or time to understand these complicated matters; so, why bother with them? Let's just elect nice people who seem trustworthy and then leave them alone to do the job we elected them for.

**T**hat is the prevailing attitude which has caused the American people to surrender control over their own government.

But the affairs of government are not too complex for thoughtful men who will stick to the essential facts embraced by what I have called the real question: What effect are these governmental activities having on the country?

## ESSENTIAL FACTS

**T**he essential facts on foreign aid are *not* details on precisely when and how much we have given to the Soviet Union and other communist nations, or to any other foreign governments. The essential facts are in the *results* of foreign aid; they are obvious and understandable to any honest man who will look at them:

When our postwar foreign aid programs began in 1945 (see this *Report*, July 13, 1959, p 221) the Soviet Union was a war shattered power, hated and feared throughout the world, seething with internal revolt. America held a military advan-

tage never before in history held by any other major nation: that is, America had a practical monopoly on what was, at the time, a *decisive* weapon of war, the atom bomb. Before our foreign aid programs began, America's military, economic, and industrial might was so infinitely superior — so matchless — that the thought of the Soviets overtaking us was preposterous.

After 14 years of postwar foreign aid, our military and political leaders (the same ones who talked us into foreign aid as the cheapest way of defending America) admit that the balance of military power has shifted to the Soviets. The Soviets now have an advantage over us in what is regarded as *the* super-weapon (the intercontinental ballistic missile); and they are out-producing us in conventional war materials.

**O**bvious and essential fact: our foreign aid programs have been disastrous to the military security of the United States.

## AN ESSENTIAL TASK

**W**hat were the motives of our leaders who have thus used our money to buy disaster for our nation? Again, let's stick to the essential facts. If the political leaders responsible for foreign aid (which includes *all* major figures in *both* political parties) were motivated by a genuine desire to help America, why will they not now admit what any literate person can see for himself? Why will they not reverse the course which they charted and which is obviously leading our nation to ruin, at breakneck speed? Are they stupid? Are they so greedy to keep their jobs and their power that they would rather destroy America than risk political defeat by admitting their own gargantuan mistakes? Have they been so hypnotized by their own propaganda that they are now running, like robots, into the jaws of death, unable to turn back, or stop, or even to cry out?

Is their motive murder or suicide? Does it really

matter, since death is the end result?

The essential task for the American people is not to try to understand these strange characters — the Humphreys and the Dirksens, the Nixons and the Sparkmans, the Eisenhowers and the Stevensons, the Trumans and the Symingtons, the Lyndon Johnsons and the Kuchels, the Rayburns and the Kennedys — who have driven this nation toward the brink of disaster and are still whipping us further and faster in the same direction.

The essential task for the American people is to turn them all out of office before it is too late.

## ECONOMIC AID

There is another important facet of American foreign aid: the economic. It is obvious that foreign aid has not improved our relative military position in the world; but then, a great portion of foreign aid is not supposed to help us militarily: it is economic aid which, somehow, is supposed to come back and make us richer.

Here is the essence of all arguments for American economic aid to foreign governments:

By working hard and giving away to foreign governments the product of our labors, we will make ourselves rich and strong because: (1) our gifts will make other nations prosperous enough to *buy* from us ultimately; and (2) the prosperity which we have given them will keep them from turning to communism, thus keeping them as allies and customers of America.

What are the visible results of the governmental policies required by this remarkable program of getting rich by giving away?

The policies of the federal government (see this Report on "American Investments Abroad,"

May 11, 1959) have saddled American industry and workers with so much red tape and expense that the nations which we have been helping have begun to surpass us in productivity.

Now that they have become prosperous on money taken away from Americans, they are not *buying* from Americans, as our foreign aid lobbyists had promised; they are taking our foreign markets, and even large slices of our home markets, away from American producers and workers. In growing numbers, American industries are closing (or curtailing) their American operations, building plants overseas — thus creating employment and greater productivity abroad, leaving unemployment and decreased productivity in America.

We have been pouring economic aid into foreign nations to make up what we called their dollar deficit. That is, they didn't have enough dollars to buy from us; so, we would give them dollars. But these foreign friends of ours have been using the dollars we give them to buy American gold (which American citizens are forbidden by law to buy), thus draining off America's gold reserve, leaving us without enough gold to back our own currency — thus dangerously inflating the dollar: destroying the value of savings and retirement income of Americans, weakening our dollar on the international exchange to the point of wild alarm *on the part of American officials* (like the President, for example) who are responsible for the foreign economic aid program causing all the damage.

What do these same officials propose to do about this frightful situation? Why, they are trying desperately to make it more frightful.

In 1959, the President threatened a special session of Congress if he did not get all the foreign aid he asked. When he got almost, but not quite, all that he had asked, he gave up the idea of calling a special session; but, in his evaluation of the Congress in 1959, he condemned it mainly because it reduced his foreign aid requests.

More than that: the administration in 1959 worked hard (but, fortunately, unsuccessfully) with both Democrat and Republican leaders in Congress for a law which would give special tax benefits for Americans who pull up stakes in America and invest their capital abroad.

Worse yet: the Administration and leaders of both parties in Congress placed heaviest emphasis on *the* aspect of foreign aid which would do the most damage to America's economy: that is, foreign loans. The Development Loan Fund, for example (the most loudly touted program in the whole foreign helpfulness mess, during 1959) provides low-interest, no-strings-attached loans to "underdeveloped" nations (not only to the governments but to private businesses in those nations) which are such poor credit risks that they cannot even borrow money from the other already established international "lending agencies."

**B**ut the American money which goes into these Development Loan Fund "loans" will not come back to America in the purchase of American goods. The recipients of our "loans" will naturally buy in the world market where they can get the most for the money. This means that they will not buy American goods, because our goods are too high priced. Why are they so high-priced? The taxes and inflation which result from our government's foreign aid and foreign loan programs unavoidably increase the cost of American products to the point that the people to whom we give and lend money cannot buy from us!

## THE GOLD RUSH

**O**n February 24, 1956, *U. S. News & World Report* published an article entitled "Who owns the Gold at Fort Knox?" The article showed that foreign nations owned most of it—and that they had acquired their ownership with American foreign aid money. The magazine's article was based on statistics compiled through Sep-

tember, 1955.

**T**he *U. S. News & World Report* article presents a chart captioned: "How U. S. speeds flow of gold to Europe." The chart says:

"Europe earned last year (1955) in dollars, from sales to U. S. .... \$5.6 billion

"Europe was given U. S. aid and private gifts totaling ..... \$1.1 billion

"Total of Europe's income in Dollars from U. S. (in 1955) was ..... \$6.7 billion

"Europe spent in dollars for U. S. Goods and services (1955) ..... \$5.6 billion

"Gain for Europe in dollars redeemable in U. S. Gold was ..... \$1.1 billion

"Thus, the \$1.1 billion of U. S. aid in 1955 was not needed to cover Europe's dollar expenditures. So it increased the claim that Europe can make against the U. S. gold supply."

**S**umming up the situation as of February 24, 1956, *U. S. News & World Report* presented a chart showing that:

"Three years ago U. S. Gold reserve totaled ..... \$23.3 billion

"Now, U. S. gold reserve is down to ..... \$21.8 billion

"But, other nations hold claims against U. S. gold, totaling ..... \$13.8 billion

"So, in an emergency, available for U. S. needs is a gold reserve of ..... \$8.0 billion

"And—to back its currency and bank deposits, U. S. needs a golds reserve of ..... \$12.0 billion

"Result: U. S. could get into a 'tight' gold-supply position if foreign countries were to decide to withdraw the gold reserves on which they hold claims."

**T**he *U. S. News & World Report* explained how this situation developed:

"A few years ago, there was not even a remote danger of an emergency. The U. S. emerged from World War II with enough gold to take care of the foreign claims, and to provide backing for U. S. money, with 2 billions of gold to spare.

"In foreign circles there was a suggestion that the U. S. should divide some of it up among its

allies.

"Britain's Foreign Secretary, Ernest Bevin, said the U. S. should 'redistribute' some of the gold in Fort Knox.

"The Bevin proposal was rejected by the U. S. Treasury as preposterous. Now, it is becoming clear that a sharing of gold was in the making even then, through the means of foreign aid . . . .

"The explanation for the flow of gold and dollars lies in foreign aid."

All of that was in 1956.

On May 26, 1959, the Associated Press released an article by Sam Dawson, well known economist. Mr. Dawson said:

"Europeans today increasingly talk of the American dollar as a potential invalid.

"The uproar is spiced at the moment by the marked outflow of gold from the United States. In the last month, some 234 million dollars of it has been bought by other nations — who have that right, although you (an American taxpayer) don't. The big drop, however, was in the April-May-June period a year ago when more than one billion dollars was bought."

On October 1, 1959, Mr. John A. Grimes, in the *Wall Street Journal*, said:

". . . Americans and their government are spending, lending and giving away more money abroad than they are receiving from foreigners . . . .

"(Such) balance of payment deficits are not a sudden development; they have averaged \$1.5 billion a year since 1950. But the sudden growth in their size has been causing growing concern . . . .

"The sudden growth has been accompanied by a sharp increase in the outflow of gold from the U. S. monetary stock . . . .

"Foreign governments and individuals, who are receiving more money than they are spending here, build up credits. These credits . . . can be used . . . to buy gold from the U. S. . . . So far this year, the outflow of U. S. gold from the monetary stock has been about \$1 billion, leaving the stock at about \$19.5 billion.

"As of now, foreign governments and indivi-

duals hold more than \$15 billion in short-term liabilities in this country.'

In other words, of the \$19.5 billion in our gold reserve, 15 billion is owned by foreign governments and individuals — in short term liabilities which they could cash in quickly. This would leave us with 4 billion dollars worth of gold to back our currency.

The *absolute minimum* of gold which we are supposed to have backing our currency — that is, the *absolute minimum required by federal law* — is about 12 billion dollars.

Foreign economic aid (like foreign military aid) is, in the first place, unconstitutional: nothing in the Constitution authorizes such a program. It manifestly has done the opposite of what it promised to do: that is, has weakened rather than strengthened America. Its failure is obvious to all. On top of all that, it has led the federal government into a violation of its own laws.

What do our leaders propose to do about it?

The John A. Grimes article in the October 1, 1959, *Wall Street Journal*, says:

". . . . Despite the current reappraisal of the foreign aid program, there's almost no chance the administration will voluntarily abandon its economic support of the underdeveloped nations. President Eisenhower, in his travels around Europe, has been talking about more, rather than less aid to young nations where communist economic penetration threatens . . . ."

## HOW DID THEY DO IT?

How have America's leaders imposed such appalling programs on us? We have permitted them to scare us, like a bunch of thoughtless sheep.

In the late 1930's, when the New Deal 'experiment' in socialism was an obvious failure — when there was as much depression and unem-

ployment as in the 'Hoover' days of 1932—Roosevelt pushed us into war spending to hide the tragic effects of his own follies. He did this by scaring us: Hitler would come get us if we did not start spending, and giving to our 'friends' abroad, for war.

It is difficult for us to admit, or even remember now, that we were really scared; but we must have been, because we went along with FDR. But when war came, we were not afraid.

**F**rom the winter of Pearl Harbor until the summer of victory, Americans knew they could handle any or all of their foreign enemies. A few wise men did realize that we never should have got into the war—that we had no business fighting with one Godless tyrant against another; that we should have minded our own business so that Hitler and Stalin could destroy each other.

But once we were into the thing, we just got on with it, fighting on all the fronts of the world, while feeding and arming our allies, and maintaining at home the highest living standard in history. We were sickened by the carnage of war, and we grew weary of the battle; but actually, not many Americans were afraid of Hitler, in spite of the "fear" which had pushed us into the war. They just loathed him.

**B**ut with victory came fear again.

With the civilized world in shambles about us, America—still whole, and stronger than ever—became afraid. Why? Because our leaders had found that if they kept us in war, or scared of war, they could keep their limitless power over us. We would be *afraid* to resist the tyranny of our own government, which was protecting us against foreign tyranny!

**T**his has become the practice in our 'democracy': before the guns are silenced in one war, our leaders find an "emergency" to scare us into preparation for another war.

At the end of World War II, we, whose awe-

some national strength had no parallel in history, were told by our own leaders that we were now too weak to stand alone. We must lean on the war-torn, impoverished, and confused nations of the world. But before we could lean on them, we must make them strong enough to support us!

We must protect, feed, rebuild, and industrialize nations which were (presumably) too weak to protect and rebuild themselves, so that they could protect us against communism—which was, at the time, a shattered, discredited, and hated power.

**W**hile brainwashing and bankrupting our nation with catchword arguments about Mutual Security and Global Defense and Interdependence as the only means of combatting communism, did our leaders treat the awful communist menace as they had treated the nazi plague?

Not at all! With apparent dedication to the theory that courage is for the weak, the leaders of strong, proud America have consistently pampered and honored communist dictators—and have even given financial aid to communist nations while trying to bribe the rest of the world to defend us against them!

**I**f we do not abandon the sickly and stupid foreign policy (which practically all major political figures now in power are responsible for) there will come a time when the whispered history of the dead American republic will serve, not as inspiration, but as an object lesson for those who have courage to fight for liberty.

\* \* \* \* \*

## INSUFFICIENT FUNDS

(Reprinted from the *Wall Street Journal*, August 19, 1959)

Once upon a time there was established the International Bank for Reconstruction and Development and the International Monetary Fund.

This was during World War II and the idea, in case you have forgotten, was to provide a

capital fund for economic development loans and for currency loans to the war-torn countries and the under-developed countries of the world.

But this did not prove sufficient, and so we had the U. S. loan to Britain, the U. S. loans and grants under the Marshall Plan and the U. S. loans and grants under the many names of what is now the International Cooperation Administration.

But this was not sufficient, and so we increased the resources of the U. S. Export-Import Bank.

But this was not sufficient, and so we set up the U. S. Development Loan Fund to make "easy" loans repayable in local currencies.

But that was not sufficient, and so the World Bank was broadened to include an International Finance Corporation to invest in special enterprises in under-developed countries.

But this was not sufficient, and so we are now organizing a Latin American Bank to make special loans south of the border, and we have proposed a similar Middle Eastern Fund to make special loans in that part of the world.

But this was not sufficient, and so this week the U. S. launched a campaign to establish a \$1 billion world agency to be called the International Development Association. It will be used to spur economic development in under-developed countries on easier terms than those poor countries can get from the World Bank, the

Monetary Fund, the Export-Import Bank, the U. S. Development Loan Fund, the Latin American Bank or the Middle Eastern Fund or the International Finance Corporation or from the International Cooperation Administration.

We just thought you'd be interested in knowing, since all of these roads lead directly to the U. S. Treasury, of what might be called the U. S. Taxpayers Cooperative Funds. The question in the end, we suppose, is whether that Fund will be sufficient.

\* \* \* \* \*

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233) SHOWING OWNERSHIP, MANAGEMENT, AND CIRCULATION OF THE DAN SMOOT REPORT, published weekly, at Dallas, Texas, for October 1, 1959.

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The owner is: Dan Smoot

There are no bondholders, mortgagees, or other security holders.

The average number of copies of each issue of this publication sold or distributed through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: 8,128.

Signed by Mabeth E. Smoot, Business Manager

Sworn to and subscribed before me, this 7th day of October, 1959, Philip Craven, Notary Public, County of Dallas, Texas, Commission expires June 1, 1961.

## WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side—the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report*.